

JANET NAPOLITANO
GOVERNOR

IRENE S. JACOBS
EXECUTIVE DIRECTOR



STATE OF ARIZONA
GOVERNOR'S OFFICE FOR CHILDREN, YOUTH AND FAMILIES

Notice of Suspension of a Previously Issued Solicitation

Solicitation No.: PC-DSG-09-9365-00
Solicitation Title: The Arizona Parents Commission on Drug Education and Prevention Grant Program
Release Date: October 9, 2008
Issuing Agency: Governor's Office for Children, Youth and Families – Division for Substance Abuse Policy
Commodity codes: 0952-0000

You are registered as a supplier with the State of Arizona SPIRIT automated eProcurement system for the commodity codes listed above. This letter is your official notification that the State is suspending a previously issued solicitation for awards of a particular grant.

On September 23, 2008, the Governor's Office for Children, Youth and Families released a Request for Grant Application (RFGA) for The Arizona Parents Commission on Drug Education and Prevention Grant Program.

As has been discussed by Governor Napolitano and covered by the news media in recent weeks, the state is expecting a potential budget deficit of up to \$800 million for the 2009 fiscal year.

The Governor has proposed a mix of possible options to handle the potential shortfall. As indicated in the attached press release, the options include further reductions in state agency costs, transfers of unused funds, and use of the state's rainy day fund, among others. (Please see attachments following this notice.)

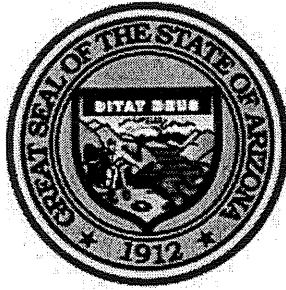
On Wednesday, October 8, 2008, the Governor announced that all state contracts over \$50,000 have been frozen until further notice. (<http://www.azcentral.com/news/articles/2008/10/09/20081009contracts-freeze1009.html>)

As a result, Solicitation Number PC-DSG-09-9365-00 for The Arizona Parents Commission on Drug Education and Prevention Grant Program is suspended until further notice.

This is the only notification you will receive.

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NEWS RELEASE
FOR MORE INFORMATION
CONTACT:
PRESS OFFICE
(602) 542-1342

FOR IMMEDIATE RELEASE
Wednesday, October 1, 2008

GOVERNOR OUTLINES BUDGET PLANS Work Underway to Manage Shortfall

PHOENIX – Governor Janet Napolitano has released detailed plans for handling any projected shortfall in the current budget for FY 2009. Although some of the plan will require legislative action, much of the work is already underway.

Arizona's fiscal year began in July. Because the national economy is in a significant downturn, state revenues are coming in well below the amounts originally projected. Although data is still limited, because it is early in the fiscal year, economists' best predictions show a range for Arizona's shortfall for the full fiscal year: at the low end, \$320 million; a mid-range estimate of \$450 million; and a pessimistic, high-end projection of \$800 million, should the economy stay slow for a protracted period of time. These forecasts are based on the best information available now. Economic conditions are updated on a monthly basis, and the forecasts will be adjusted accordingly.

The Governor has proposed a mix of proposals to handle the shortfall. The plans include further reductions in state agency costs; transfers of unused funds; use of the state's 'rainy day' fund for its intended purpose; and additional state budget management options. The additional options could include things like fees charged to states that house the inmates in private prisons in Arizona; securitization of the tobacco settlement; or sale or lease of the Arizona lottery. Those options remain under study.

A chart is attached, depicting how funds would be used to achieve balance given the range of scenarios.

The Governor was clear in her priorities. "My goal is to protect classroom spending for K-12 education, and to ensure that we continue to provide service to vulnerable Arizonans, including children, veterans and seniors," said the Governor. Napolitano added, "I am absolutely committed to achieving budget balance without increasing taxes."

No matter what the ultimate scenario, balancing the budget will not be an easy task. As the second attached chart shows, 45 percent of Arizona's budget is protected – because it involves a formula passed by voters, or is mandated under federal law – and cannot be cut. All cuts must come from the remaining 55 percent of the state budget.

Arizona agencies have been actively working, for more than a year, to find cost savings. For example, a hiring freeze ordered by the Governor in March, is projected to save an estimated \$40 to \$50 million dollars by the end of the current fiscal year.

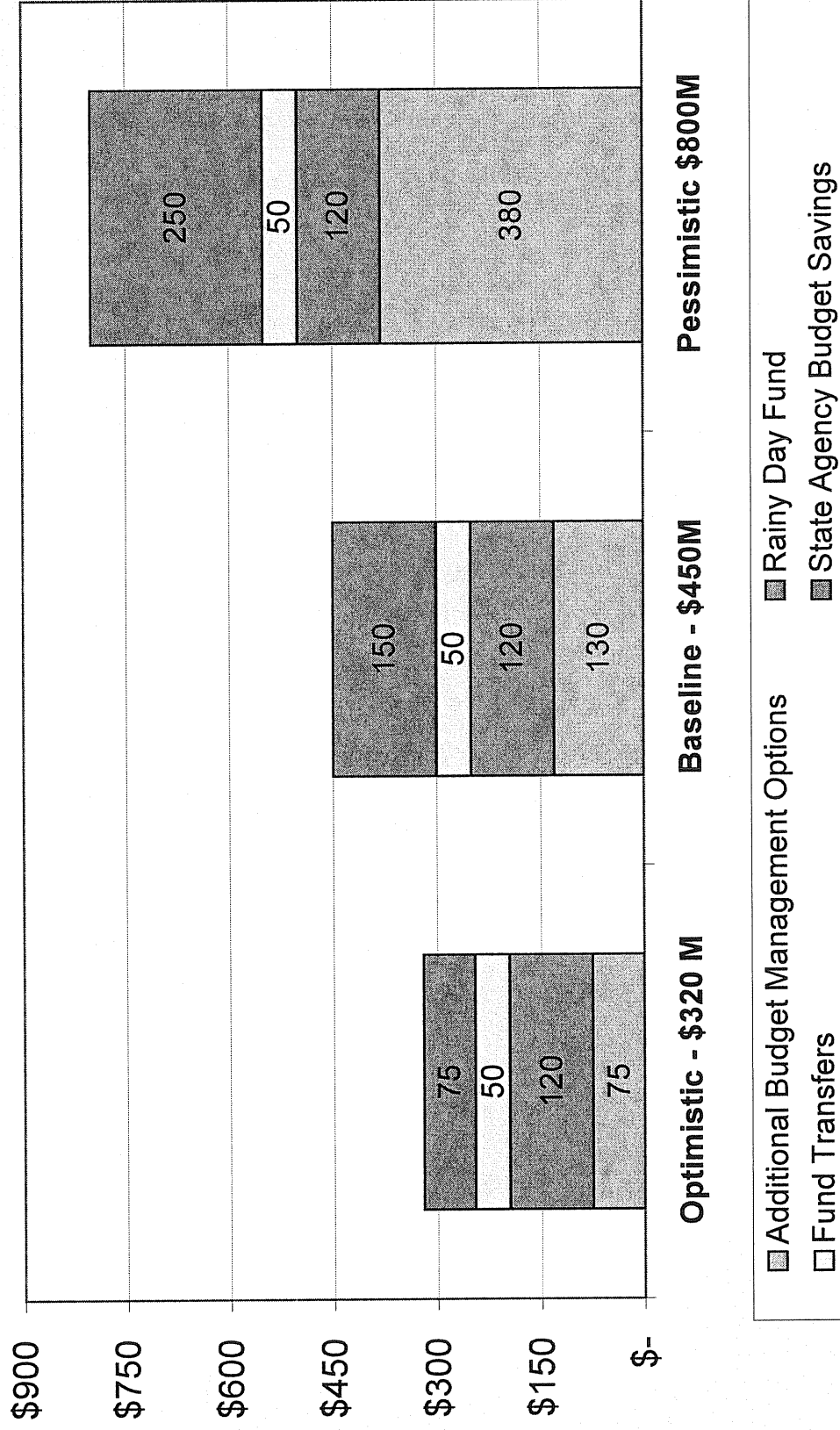
Again, some of the measures will require legislative action. For that reason, the Governor has scheduled a meeting with Senate President Tim Bee and House Speaker Jim Weiers for November 6th. During the month of October, she will meet separately with each.

Yesterday, the Governor, Bee and Weiers agreed to direct their respective budget teams, JLBC (the Joint Legislative Budget Committee) and OSPB (the Governor's Office of Strategic Planning and Budgeting) to meet this week to come up with a consensus estimate of the shortfall for the current year to date.

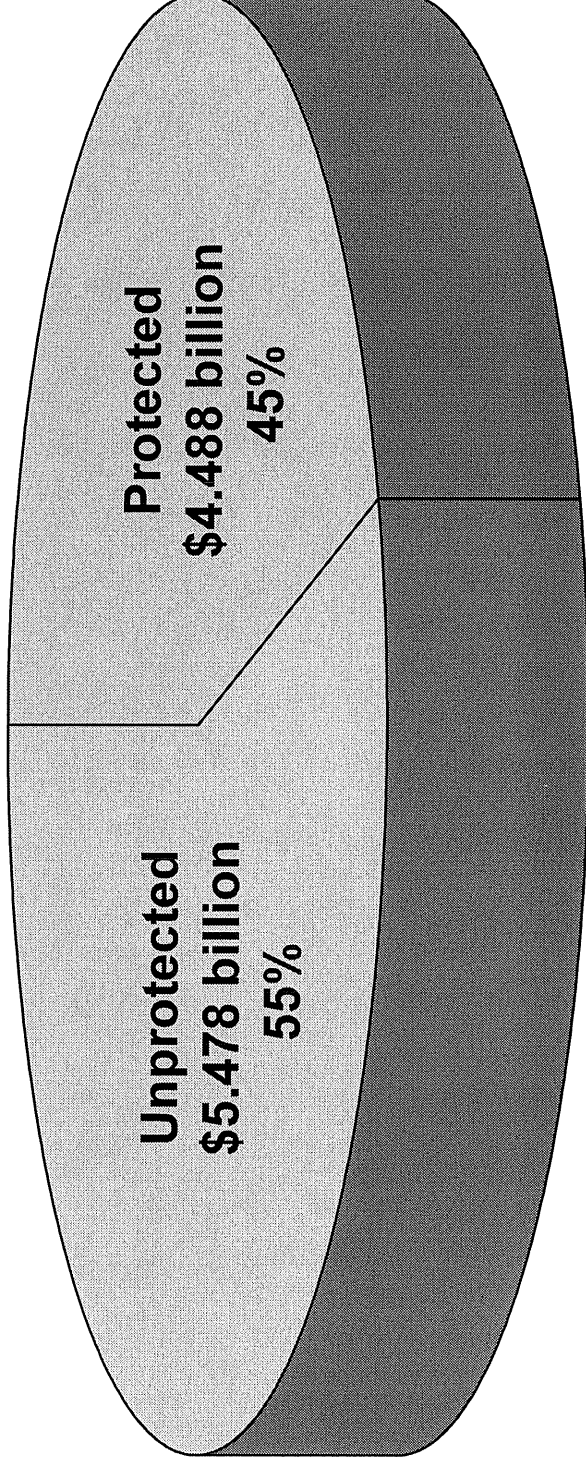
Attached please find: a bar chart outlining various scenarios and plans; a pie chart demonstrating protected and unprotected parts of the Arizona budget; and a copy of the Governor's Budget Management Plan for FY 2009.

For more information about the Office of the Governor, please visit www.azgovernor.gov.

Summary of FY 2009 Budget Management Plan Components



Of the \$9.97 billion appropriated for FY 2009 expenditures by state agencies, \$4.49 billion are protected from budget reductions



Total FY09 Agency Operating Budget: \$9.97 billion



State contracts larger than \$50,000 on hold

by Matthew Benson - Oct. 9, 2008 12:00 AM
The Arizona Republic

Faced with growing fears about the economy and a darkening fiscal picture for state government, Gov. Janet Napolitano vowed Wednesday to freeze all state contracts larger than \$50,000 until they can be reviewed.

The move immediately applies to all state agencies, and she has asked the state's public universities to do likewise.

"Hopefully it will not be a roadblock but will be a way to ensure we are only spending what is mission-critical this year," Napolitano, a Democrat, told reporters.

With its depressed housing market, Arizona has been particularly hard-hit by the national downturn in the economy. Legislative budget officials have said the state shortfall for this fiscal year, which ends June 30, could range between \$550 million and \$1 billion. That would come on top of a nearly \$2 billion shortfall that legislators closed last spring.

Napolitano has also asked school districts to find additional administrative savings that can be moved into classroom spending.

The push is similar to one the governor made soon after taking office in 2003, although she acknowledged the state has recently seen "some slippage" in school-spending efficiency.

The renewed emphasis also may help inoculate K-12 education against significant spending cuts over the next year, when Napolitano and legislators will be looking for savings to manage the budget deficit.

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